ISSUED: November 8, 2004

D.T.E. 03-90

Petition of Colonial Gas Company for the recovery of an exogenous cost associated with its demand-side management programs for the period May 2002 through April 2003.

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FOR: COLONIAL GAS COMPANY d/b/a/ KEYSPAN ENERGY DELIVERY NEW ENGLAND
Petitioner

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FOR: BAY STATE GAS COMPANY
Intervenor

I. INTRODUCTION

On September 17, 2003, Colonial Gas Company d/b/a KeySpan Energy Delivery New England ("Colonial" or "Company"),[1] filed a petition with the Department of Telecommunications and Energy ("Department") seeking approval to recover lost-base revenues ("LBR") associated with demand-side management ("DSM") programs. The Company seeks to recover the LBR, with carrying costs, as an exogenous cost pursuant to Eastern/Colonial Acquisition, D.T.E. 98-128, at 55 (1999) and in accordance with Colonial Gas Company, D.T.E. 02-58, at 15-16 (2003), Colonial Gas Company, D.T.E. 01-73, at 17 (2002), and Colonial Gas Company, D.T.E. 00-73, at 21 (2001). The proposed exogenous cost includes costs incurred between May 2002 through April 2003 for DSM programs installed before 1999. The Department docketed this petition as D.T.E. 03-90.

Pursuant to notice duly issued, the Department held a public hearing and procedural conference on November 20, 2003. The Department granted Bay State Gas Company's motion to intervene. The Department held an evidentiary hearing on February 12, 2004. The Company sponsored the testimony of Ann Leary, manager of rates for the Company, and Jennifer Bedard, advertising coordinator for the Company. The evidentiary record includes eight exhibits and seven responses to information requests.

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[1] On November 13, 2000, KeySpan Corporation, a registered public utility holding company with its principal offices located in New York, acquired Eastern Enterprises, the parent company of Colonial. As a result, Colonial is now operating as Colonial Gas Company d/b/a KeySpan Energy Delivery New England.

II. DESCRIPTION OF PROPOSAL

Colonial seeks to recover $1,280,689 of LBR as an exogenous cost adjustment due to the change in regulatory policy applied to the Company resulting from Colonial Gas Company, D.T.E. 97-112 (1999) (Exh. KS-1, at 2). The Company states that of the $1,280,689 it seeks, $781,824, including $90,823 in carrying costs, is from its residential DSM programs, and $498,865, including $50,492 in carrying costs, is from its commercial and industrial ("C&I") DSM programs (Exhs. KS-1, att. B; DTE-1-7).[2]

The Company seeks recovery only for its LBR associated with DSM programs installed prior to May 1999 (Exh. KS-1, at 2; Tr. at 7). The Company proposes to collect the exogenous cost amount through its November 2003 through October 2004 Local Distribution Adjustment Factor ("LDAF") (Exh. KS-1, at 1).[3]

To determine the total LBR amount to be recovered as an exogenous cost, Colonial first calculated for both its Lowell and Cape Divisions, by month and by customer class, the total energy savings per DSM program and associated carrying costs based on the method approved by the Department in D.T.E. 02-58 and D.T.E. 00-73 (Tr. at 14). Next, the Company multiplied the energy savings by the applicable base rates to arrive at the LBR amount

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2 Carrying costs are derived by applying the Company's pretax cost of capital of 13.58 percent, approved by the Department in the Company's last rate case, to the LBR (Exh. DTE-1-4).

3 The Department notes that Colonial is currently recovering, subject to refund, the exogenous costs proposed for recovery in this filing through its LDAF (Tr. at 11).

(Exh. KS-1, att. B). Finally, the Company applied the appropriate carrying charges to the LBR amount to calculate the total LBR (id.).

III. LBR RECOVERY

A. Introduction

In Colonial Gas Company, D.T.E. 97-112, at 32-33, the Department modified its LBR policy for all local gas distribution companies by limiting LBR recovery to a period equal to the average historic time span between the last four rate cases for each company ("Rolling Period Method" or "RPM").[4] In D.T.E. 98-128, at 55, the Department recognized that, when the RPM policy change had cost consequences for Colonial, it would meet the definition of an "exogenous cost" for recovery purposes.

In its present petition, Colonial claims that it has LBR due to the change in regulatory policy applied to the Company resulting from D.T.E. 97-112 (Exh. KS-1, at 2). Consistent with our precedent, we shall examine the Company's calculation of its LBR prior to determining whether it may recover that amount as an exogenous cost.
See, e.g., D.T.E. 02-58, at 15-16; D.T.E. 01-73, at 17; D.T.E. 00-73, at 21; D.T.E. 98-128, at 55. To do this, we review the Company's savings estimates (which, when multiplied by the Company's base rates, result in the LBR) and, necessarily, the impact evaluations on which the savings estimates are based.

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[4] Previously, LBR for DSM programs installed since a company's last rate case were recoverable over the lives of the programs installed. D.P.U. 97-112, at 9-11.

B. Standard of Review for Savings Estimates

In evaluating savings estimates for gas DSM programs, the Department draws on its experience with electric DSM programs. Bay State Gas Company, D.P.U. 96-98, at 1 (1997). The Department has found that many estimates of savings that are not actually measured have been biased upward substantially and has therefore required companies to measure savings using impact evaluations.[5] See Massachusetts Electric Company, D.P.U. 92-217-B at 4-5 (1994). The Department has identified and approved a wide variety of techniques for evaluating savings estimates. Id. at 7-16, 35-38, 47-51, 68-74. Recognizing that obtaining more precise savings estimates has a cost, the Department directed companies to seek increased precision where the marginal value of more precise estimates exceeds the marginal cost of obtaining the additional precision. Id. at 5.

In order for a company's DSM savings estimates to be accepted, the company must demonstrate that its impact evaluations are reviewable, appropriate, and reliable. D.P.U. 96-98, at 2, citing D.P.U. 92-217-B at 4-7. An impact evaluation is considered reviewable if it is complete, clearly presented, and contains a summary that sufficiently explains all assumptions and data presented. D.P.U. 92-217-B at 4-6. An impact evaluation is considered appropriate if evaluation techniques selected are reasonable given the characteristics of a particular DSM program, the company's resources, and the available methods for determining demand and energy savings estimates. Id. at 6-7. Finally, an impact evaluation is

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5 Impact evaluations use quantitative analyses to assess energy and capacity savings resulting from the implementation of DSM programs. Massachusetts Electric Company, D.P.U. 92-217-B at 1, n.1 (1994).

considered reliable if the savings estimates included in the evaluation are unbiased and are measured to a sufficient level of precision, given the characteristics of a particular DSM program, the company's resources, and the available methods for determining demand and energy savings estimates. Id. at 7. In Boston Gas Company, D.P.U. 94-15 (1995), the Department ordered local distribution companies, when petitioning for the recovery of LBR and incentives from DSM programs, to develop energy savings estimates for their residential and multifamily programs using the Gas Evaluation and Monitoring Study ("GEMS") method,[6] subject to certain conditions. See D.P.U. 94-15, at 52-54.

C. Calculation of Savings Estimates and LBR

1. Introduction

Prior to D.T.E. 97-112, the Department allowed local distribution companies to include in the calculation of total energy savings and LBR all DSM programs installed by them since the inception of their DSM programs. In D.T.E. 97-112, the Department changed its policy and required companies to use the RPM to calculate energy savings and LBR. Under the RPM, Colonial calculates total energy savings and LBR resulting from DSM programs

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6 GEMS was a comprehensive research project that used a variety of analytical tools to evaluate the effectiveness of residential and multi-family natural gas DSM programs. Boston Gas Company, D.P.U. 94-15, at 1, n.1. The "GEMS method" refers to the overall analytical framework established to: (1) determine the effectiveness of the company's residential DSM programs by estimating the amount of gross energy saved from a sample of its residential customers; (2) transfer these results to the company's residential DSM and non-host local distribution companies' DSM programs; and (3) adjust gross savings to account for factors that affect net program savings. Id. at 1, n.2.

installed by the Company within the prior four years.[7] D.T.E. 97-112, at 33. Therefore, to calculate the exogenous cost arising from the Department's change in policy in the method of calculating LBR, Colonial includes all residential and commercial and Industrial ("C&I") DSM programs installed by the Company since the inception of its DSM programs up to April 1999 (Exh. KS-1, at 1-2, att. B).

Colonial requests the recovery of $1,280,689 as an exogenous cost associated with its residential and C&I DSM programs. In the following subsections, we examine Colonial's DSM savings and LBR by customer class.

2. Residential Programs

a. Description

Colonial stated that it used the GEMS method to calculate the energy savings per thousand cubic feet ("Mcf") from its residential DSM programs (Exh. KS-1, att. C, exh. 1, at 1). Colonial estimates a net energy savings of 211,483 Mcf (124,586 Mcf in the Lowell Division and 86,897 Mcf in the the Cape Cod Division) from its residential DSM programs for the period May 2002 through April 2003 (Exh. KS-1, att. B). The Company applied the savings estimates as inputs into the calculation of the LBR (id.). Based upon this calculation, the Company requests the recovery of $691,001 in LBR, and $90,823 in carrying costs, for a

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7 As a condition of a settlement between the Company, the Attorney General, and the Massachusetts Division of Energy Resources, among other parties, regarding Boston Gas Company's Market Transformation/Energy Efficiency Programs. D.T.E. 02-58 (Exh. DTE-1-1). The Company does not recover lost revenues arising from DSM programs installed within the last four years under the RPM (Tr. at 12-13).

total of $781,824, as an exogenous cost associated with its residential DSM programs for the period May 2002 through April 2003 (Exh. KS-1, att. C, exh. 1, at 1).

b. Analysis and Findings

The Department has reviewed the Company's estimates of energy savings and LBR calculation associated with its residential DSM programs. The Department finds that the Company appropriately calculated the energy savings estimates and LBR, as we have previously approved in D.T.E. 02-58, at 6, D.T.E. 01-73, at 6, and D.T.E. 00-73, at 7. Accordingly, the Department finds the Company's estimates of energy savings and the method for calculating LBR for its residential programs to be reliable, reviewable, and appropriate.

3. C&I Programs

a. Description

Colonial stated that it used the impact evaluation, the Mcf savings calculations, and LBR calculations, approved by the Department in Colonial Gas Company, D.P.U. 96-31 (1996), to calculate Mcf savings and LBR from its small and medium C&I DSM programs (Exh. KS-1, att. C, exh. 4, at 1). The Company estimates a net energy savings of 43,094 Mcf from its small C&I programs, and a gross energy savings of 123,480 Mcf from its medium C&I programs, for the period May 2002 through April 2003 (Exh. KS-1, att. B).[8] Colonial applies the savings estimates as inputs into the calculation of LBR (id.). Based upon this

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[8] In D.T.E. 01-73, at 10-12, the Company demonstrated that its method of deriving a gross energy savings estimate for the Medium C&I programs, rather than deriving net savings, provides the best available, reliable estimate and is reasonable, given the cost of obtaining the information necessary to adjust the figure to net savings compared with the minimal gain in precision.

calculation, Colonial requests the recovery of $448,373 in LBR and $50,492 in carrying costs for a total of $498,865 as an exogenous cost associated with its C&I DSM programs for the period May 2002 through April 2003 (Exh. KS-1, att. B). As described below, Colonial used different methods to calculate energy savings for its small and medium C&I programs.

b. C&I Savings Estimates

i. Small C&I Programs

Colonial's small C&I programs are implemented in three steps: (1) energy assessment; (2) installation of selected programs; and (3) quality control inspection (Exh. KS-1, att. C, exh. 4, at 2). The Company offered thirteen gas savings programs to eligible customers (id.). These customers included small C&I customers in rate classes G-41 and G-51 (id.). Customers who participated in the programs received a 100 percent subsidy for installations of recommended programs (id.).

The Company indicated that in order to calculate net Mcf savings for each program, it discounted the annualized gross savings figure for each program by a free rider estimate and persistence factor (id. at 3). The Company defines a free rider as a customer who planned to install a program on his own (the same amount or more, sooner or at the same time) prior to program participation (id.). Colonial states that a persistence factor accounts for programs that are installed and are still operating properly (id.). The Company developed these free rider estimates and persistence factors in D.P.U. 96-31 as part of the impact evaluation analysis (id.).

The Company's impact evaluation study indicates that the overall realization rate[9] for the small C&I program is 107 percent, with a realization rate of 115 percent in the Lowell Division and 75 percent in the Cape Cod Division (id. at 2-3). Colonial stated that the gross savings estimates that it calculated using the impact evaluation were 107 percent of the savings expected using the Company's engineering data for the small C&I program (id.). The Company explained that, in order to calculate total program energy savings, it multiplied engineering savings estimates, or in this case technical potential savings estimates, for the entire population of program participants by the realization rate (id. at 3).

Colonial stated that it calculated a total net Mcf savings of 43,094 Mcf (37,011 Mcf in the Lowell Division and 6,083 Mcf in the Cape Cod Division) for its small C&I program for the period May 2002 through April 2003 (Exh. KS-1, att. B). Colonial used the savings estimates as inputs into the calculation of LBR (id.). Based upon these estimates, Colonial requests the recovery of $129,471 in LBR, and $14,632 in carrying costs, for a total of $144,103 as an exogenous cost associated with its small C&I program for the period May 2002 through April 2003 (id.).

ii. Medium C&I Programs

Colonial stated that customers on rate classes G-42 and G-52 were eligible for its medium C&I program (Exh. KS-1, att. C, exh. 4, at 4). The Company explained that the

9 A DSM tracking system contains estimates of the savings based on the original engineering estimate of savings for each program. Bay State Gas Company, D.P.U. 96-98, at 4, n.2. An impact evaluation, on the other hand, estimates the amount of savings actually achieved. Id. The ratio of this latter estimate to the former tracking estimate is called a "realization rate." Id.

medium C&I program are implemented in five steps: (1) energy audit; (2) evaluation of cost effectiveness measures and presentation of analysis; (3) contractor quotes and selection; (4) installation of selected programs; and (5) quality control inspection (id.). Colonial stated that it offered 27 gas savings programs to eligible customers through the medium C&I program (id.).

According to Colonial, it used a different method to calculate energy savings for the medium C&I program from the engineering method used to calculate savings estimates for its small C&I program (id. at 4-6). The Company explained that, in order to calculate gross energy savings for the medium C&I program, it derived initial savings estimates using customer-specific facility audit data (id. at 4).[10] Colonial stated that it used "Market Manager," an energy audit and modeling software package developed by Synergic Resource Corporation, to identify appropriate gas savings programs and the estimated savings for each customer (id.). Colonial explained that, for each customer, Market Manager created an energy model that simulated the energy use of a facility prior to the installation of any program (id. at 4-5). To calculate the gross annual Mcf savings for each customer, Market Manager subtracted the estimated gas usage for a facility with program installations, as calculated by

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[10] Customer-specific facility audit data consist of the Company's offer to each customer of an energy audit of the customer's facility from which an energy model is developed to simulate the energy use of that customer's facility prior to installation of the program. Recommended programs are then added to the model in order to estimate the total energy savings from installing the programs for each customer. Colonial Gas Company, D.T.E. 00-73, at 11, n.8.

Market Manager, from the facility's existing gas usage, which Market Manager calculated prior to the installation of any program (id. at 5).

The Company calculated total gross energy savings of 123,480 Mcf (87,987 Mcf in the Lowell Division and 35,493 Mcf in the Cape Cod Division) for its medium C&I program for the period May 2002 through April 2003 (Exh. KS-1, att. B). Colonial used the savings estimates as inputs into the calculation of LBR (id.). Based upon these estimates, the Company requests the recovery of $318,902 in LBR, and $35,860 in carrying costs, for a total of $354,762 as an exogenous cost associated with its medium C&I program for the period May 2002 through April 2003 (id.).

c. Analysis and Findings

The Company's impact evaluations for both the small and medium C&I programs are complete and clearly presented, with all data and assumptions sufficiently explained. Accordingly, the Department finds that the Company's impact evaluations for its C&I DSM programs are reviewable. The Department also notes that in this proceeding Colonial used the same evaluation methods to calculate total energy savings, LBR, and associated carrying costs for its small and medium C&I DSM programs that were approved in D.T.E. 97-112 and D.P.U. 96-31. See also, D.T.E. 02-58, at 10-12; D.T.E. 01-73, at 13-14; D.T.E. 00-73, at 13-15. Thus, the Department finds that the estimates are reliable and that the Company has correctly calculated the LBR amount associated with the C&I DSM programs. Furthermore, the Department finds that the evaluation techniques that Colonial uses to estimate energy savings for its C&I programs are reasonable and are consistent with previous Department

Orders. Therefore, we find that the Company's impact evaluations and savings estimates for its C&I programs are appropriate.

IV. EXOGENOUS COST ADJUSTMENT

A. Introduction

Having determined that Colonial correctly calculated its LBR for the period May 2002 through April 2003, we now address whether the LBR amount may be recovered as an exogenous cost. Specifically, we review the Company's position and our standard for exogenous cost recovery.

B. Company Proposal

Colonial seeks to recover $1,280,689 through its Local Distribution Adjustment Clause ("LDAC") as an exogenous cost pursuant to D.T.E. 98-128, at 55 (Exh. KS-1, at 1-2). The $1,280,689 is comprised of $781,824 in LBR inclusive of carrying costs associated with its residential DSM program, and $498,865 in LBR inclusive of carrying costs associated with its C&I DSM programs (Exhs. KS-1, att. B; DTE-1-7).

The Company argues that the Department should grant LBR recovery of $1,280,689, because such recovery satisfies the Department's standard for the recovery of exogenous costs in accordance with D.T.E. 98-128 (Exh. KS-1, at 1-2; Tr. at 9-10). Colonial notes that in D.T.E. 98-128, the Department found that a change in the Department's LBR policy that had cost consequences could fall within the definition of exogenous costs, and that the Department established an exogenous cost qualifying threshold of $250,000 for Colonial based on the relative magnitude of the Company's 1998 operating revenues (Exh. KS-1, at 1-2, citing D.T.E. 98-128, at 56). The Company argues, therefore, that it has satisfied the Department's conditions for the recovery of exogenous costs associated with its DSM program because: (1) the Company has incurred a cost consequence as a direct result of the Department's policy change in LBR calculation in D.T.E. 97-112; (2) the exogenous cost of $1,280,689 is greater than the established threshold of $250,000 to qualify for recovery; and (3) the Company's earnings independent of recovering the proposed exogenous costs are reasonable (Exh. KS-1, at 1-2). Colonial states that the Company's 2002 and 2003 returns on equity ("ROE") were 8.87 percent and 8.73 percent, respectively (Exh. DTE-1-1; RR-DTE-7).[11] Colonial contends that the Company's 2002 and 2003 ROE are (a) lower than the ROE allowed by the Department for LDCs in recently litigated cases,[12] and (b) lower than the ROE used by the parties in the settlement agreement in the Company's last rate proceeding

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11 Colonial's calculation of 8.87 percent ROE for 2002 includes the recovery of the proposed exogenous cost. Without the recovery of the proposed exogenous cost, Colonial's ROE for 2002 would have been 7.99 percent (RR-DTE-1; RR-DTE-2). Colonial's calculation of 8.73 percent ROE for 2003 does not include the recovery of the proposed exogenous cost (RR-DTE-7). If the Company were allowed to recover the proposed exogenous cost, Colonial's ROE for 2003 would be 9.30 percent (id.).

12 Colonial stated that the Department approved an ROE of 10.2 percent for Boston Gas Company; 10.0 percent for Fitchburg Gas and Electric Light Company; and 10.5 percent for Berkshire Gas Company in their most recent rate cases (Tr. at 10-11, 31 citing Boston Gas Company, D.T.E. 03-40, at 364 (2003); Fitchburg Gas and Electric Light Company, D.T.E. 02-24/25, at 230 (2002); Berkshire Gas Company, D.T.E. 01-56, at 119 (2002)).

(Exh. KS-1, at 1-2; Tr. at 10-11).[13] Colonial argues that, based on its 2002 and 2003 ROE, the Company's earnings continue to warrant approval of an exogenous cost adjustment, and that rejecting the exogenous cost adjustment would result in even a lower ROE (Exh. KS-1, at 1-2; Tr. at 11).

C. Standard of Review

The Department has defined exogenous costs as positive or negative cost changes beyond a company's control that would significantly affect the company's operations. D.T.E. 98-128, at 54; NIPSCO-Bay State Acquisition, D.T.E. 98-31, at 17 (1998); Eastern-Essex Acquisition, D.T.E. 98-27, at 19 (1998). Included in that definition are cost changes resulting from changes in tax laws that uniquely affect the local gas distribution industry; accounting changes unique to the local gas distribution industry; and regulatory, judicial, or legislative changes uniquely affecting the local gas distribution industry. D.T.E. 98-27, at 19; Boston Gas Company, D.P.U. 96-50 (Phase I) at 292 (1996). In D.T.E. 98-128, at 55, the Department recognized that a change in our regulatory policy that had cost consequences, including our LBR policy, could fall within our definition of an exogenous cost.

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[13] According to Colonial, the parties to the settlement agreement agreed to use an ROE of 11.19 percent for purposes of calculating (1) the allowance for funds used during construction, (2) the carrying costs associated with unamortized DSM expenditures, and (3) the purchased gas working capital allowance, the remediation adjustment clause, and any other components of the cost of gas adjustment clause (Tr. at 30-31, citing Colonial Gas Company, D.P.U. 93-78, at 4 (1993)).

In order to avoid costly regulatory processes over minimal adjustments, however, the Department requires cost changes to meet a minimum threshold, based on the company's operating revenues, before the company may propose recovery of an exogenous cost. Id.; D.T.E. 98-31, at 18; D.P.U. 96-50 (Phase I) at 293. The Department established thresholds on a company-specific basis to reflect a "principle of proportionality" in relation to the company's operating revenues. D.T.E. 98-128, at 55-56. The Department determined that any individual exogenous cost must exceed the company's threshold in a particular year in order for the petitioners to request recovery of that particular exogenous cost increase. Id.; D.T.E. 98-31, at 18; D.P.U. 96-50 (Phase I) at 293. In Colonial's case, the Department established a minimum threshold of $250,000. D.T.E. 98-128, at 56.

To recover exogenous costs during a rate plan, petitioners must propose exogenous cost adjustments, with supporting documentation and rationale, as to the appropriateness of recovery of the proposed exogenous costs. Id. at 55; D.T.E. 98-31, at 17-18. The Department also has indicated that the earnings of the company will be a factor in considering whether to approve a request for recovery of an exogenous cost. D.T.E. 02-58, at 15-17; D.T.E. 01-73, at 17-18; D.T.E. 00-73, at 21.

Therefore, a proposal for an exogenous cost adjustment must meet a three-part test. Proponents of an exogenous cost adjustment bear the burden of demonstrating: (1) that the cost change is of a type that is external to the company and is beyond the company's control; (2) that the magnitude of the cost change exceeds the company's exogenous cost threshold; and

(3) that the company's earnings, independent of recovering a proposed exogenous cost, are reasonable. See, e.g., D.T.E. 00-73, at 21.

D. Analysis and Findings

We now apply the three-part test. Regarding the first element, the Company's request to recover $1,280,689 of LBR as an exogenous cost represents the annual impact of the Department's change in regulatory policy in D.T.E. 97-112. In D.T.E. 98-128, at 55, Department found that, for Colonial, the LBR policy change meets the definition of exogenous costs. See, also, D.T.E. 02-58, at 16; D.T.E. 01-73, at 17; D.T.E. 00-73, at 22; D.T.E. 98-128, at 55. Therefore, we find that the Company's present request meets the requirement for the first element.

Regarding the second element, the Department has established a monetary threshold for exogenous cost recovery of $250,000 for Colonial. D.T.E. 98-128, at 56. Colonial correctly calculated the cost impact of the change in regulatory policy to be $1,280,689. Therefore, we find that the cost change exceeds the Company's minimum threshold, and Colonial has met the requirement for the second element.

Regarding the third element, we review whether the Company's earnings, independent of exogenous cost recovery, were reasonable. Colonial's 2002 and 2003 ROE, excluding the recovery of exogenous costs, were 7.99 percent and 8.73 percent, respectively (RR-DTE-1; RR-DTE-7). Including exogenous cost recovery, the Company's ROE in 2002 and 2003 were 8.87 percent and 9.30 percent, respectively (Exh. DTE-1-1, att. 1; RR-DTE-7). These returns are lower than the ROE allowed by the Department for LDCs in the most recently litigated rate cases. See, e.g., D.T.E. 03-40, at 364; D.T.E. 02-24/25, at 230; D.T.E. 01-56, at 119. The Department finds that the level of Colonial's earnings in 2002 and 2003 was reasonable, and the Company has met the third element.

We, therefore, find that Colonial has met the requirements of one standard to recover exogenous costs. Accordingly, the Department allows Colonial's request to recover the LBR as an exogenous cost in this case.

V. ORDER

Accordingly, after due notice, hearing, and consideration, it is

ORDERED: That the savings estimates and LBR for Colonial's DSM programs for the period May 2002 through April 2003 are hereby approved; and it is

FURTHER ORDERED: That the Company may recover total lost base revenues of $1,280,689, which includes carrying costs, associated with its demand-side management programs for the period May 2002 through April 2003, per Table I attached to this Order.

By Order of the Department,

/s
Paul G. Afonso, Chairman

/s
James Connelly, Commissioner

/s
W. Robert Keating, Commissioner

/s
Eugene J. Sullivan, Jr., Commissioner

/s
Deirdre K. Manning, Commissioner

TABLE I

Lost Base Revenue Cost Breakdown

Customer Class	**LBR to be Recovered As Exogenous Cost**	**Associated Carrying Costs to be Recovered As Exogenous Cost**	**Total LBR to be Recovered As Exogenous Cost**
Residential	$691,001.00	$90,823.00	$781,824.00
Small C&I	$129,471.00	$14,632.00	$144,103.00
Medium C&I	$318,902.00	$35,860.00	$354,762.00
Total C&I	$448,373.00	$50,492.00	$498,865.00
Grand Total	**$1,139,374.00**	**$141,315.00**	**$1,280,689.00**

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).